

Episode 24 International Cannabis Supply Chain Podcast

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SPEAKERS

Cory Waggoner, Jay Fentress, Anthony Adkins, Adam Kulbach



Adam Kulbach 00:14

Welcome to the higher enlightenment podcast brought to you by higher yields cannabis consulting your seed to sale Business Solutions team. My name is Adam, your host and part of the creative team here at higher yields. Today's episode deals with the International Cannabis supply chain. The supply chain of the cannabis industry is made up of five stages in the processing of marijuana. The first stage is cultivation of the plants. This is followed by extraction of cannabinoids. From there the next stage is testing. distribution and retail are the fourth and last stages respectively. Today's guests are Corey Wagner, Anthony Adkins and Jay Fentress. So let's meet them and get on with the show. All right, let's start with Cory. Cory can give us a little background on yourself and tell us what you do.



Cory Waggoner 01:12

Thanks, Adam. And good morning, everybody. My name is Corey Wagner, I'm the CEO here at higher yields consulting, I started higher yields about six years ago, really focused more so on cannabis. But as cannabis has grown, both domestically and internationally, we've started to work our way into some international projects as well, we've, we've worked in about 10 or 11 Different countries now we've helped a few countries with the federal regulations and a couple of our clients get licensed to start to develop out certain portions of the cannabis supply chain. So really happy to be here and excited to answer some questions.



Adam Kulbach 01:49

Well, thanks for being here. Cory. Anthony, could you give us a little background on yourself and what you do?



Anthony Adkins 01:55

A Anthony Atkins 01:55

Absolutely. Adam, thank you so much, and good to good to hear you. Good to see you. I made that he Atkins and the director of business development with higher yields. And definitely here to develop mobile markets internationally and nationally. I have a deep background in telecom and technology, and especially in the Latin American North American markets in those emerging developing countries. And very excited about not only this podcast, but what higher yields is doing on a global scale. So very exciting.

A Adam Kulbach 02:32

Okay, thank you, Anthony. So Jay, could you give us a little background on yourself?

J Jay Fentress 02:37

Sure. My name is Jay Fentress, I'm Director of Sales and Marketing at Mid American growers a 3.2 million square foot greenhouse in central Illinois, where we're proudly growing some good old American Midwestern hemp.

A Adam Kulbach 02:53

Well, thanks for being on. The supply chain itself may sound simple. But what are the major complexities that don't seem as apparent to an outsider looking in?

J Jay Fentress 03:06

Yeah, there's a lot of complexity complexities, obviously, I think the first is transportation, shipping. There's so many more hands that touch the product, and the international side of things, then domestically. And make sure you know who you're working with, from a shipping standpoint, make sure that the brokers or the port folks, you got paperwork and you know who's doing what that's, I think the biggest, the biggest piece and then who are you working with? develop that relationship? Make sure you you know, who you're working with, I think is the longest and easiest answer to that.

C Cory Waggoner 03:50

Yeah, and I think just to kind of piggyback on that, you know, one of the issues, hemp and cannabis, you know, is, I think a big concern is who's gonna get stuck with the bill, because some of these, if you don't know who you're working with, you're not familiar with logistics, then a lot of times these things will get caught up in customs. And if they do, you know, it's it slows down that process to get them through and you may lose your purchaser on the other side, or, you know, if it's raw material, it could certainly degrade while it's sitting there and customs and kind of determining who's going to be responsible for the bill, if that happens, makes it really difficult to kind of build that trust between

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Adam Kulbach 04:27

people. Okay, how does rapidly changing regulation affect international distribution networks in real time?

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Cory Waggoner 04:37

I would say one of the biggest things is we're seeing now both domestically and internationally, more markets coming on board. And as they are it seems like some countries and states everyone is looking to they want to replicate something they know will work but then they also want to kind of put their own twist on it. And those twists can sell Sometimes be good. And sometimes they can be really bad. It's it's one of those things where a lot of times theory doesn't while makes sense in theory and may not make sense in practice, and in order to get to that practice and make it on theoretical, you kind of got to go through that process. And as you're going through the process, that's where you learn those hard lessons. And so with, with things changing so much, so rapidly, you know, I guess the other thing would be that more and more markets are starting to come on board. So there's becoming more options to be able to move these things around, which is really helpful and exciting for the industry.

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Adam Kulbach 05:37

So why is purchasing and inventory for cannabis still done on a mostly ad hoc basis,

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Cory Waggoner 05:44

I would say, due to a lot of the types of people who are in the industry, a lot of them are reactive, rather than proactive. And I think some of the idea that a lot of these things are done, ad hoc, is actually somewhat of a misconception. And it's not. And what I mean by that is, it seems like every day, we get a call for somebody who wants to buy 1000 kilos of distillate. But when it comes to showing the money, and they need it, yesterday, it but when it comes to showing the money and moving on and and transacting on it, they don't. So I feel like the people who try to move ad hoc a lot of times is because one of the main one of the biggest red flags that we see if somebody's probably not that serious about purchasing product. And the people who, like Jay had mentioned earlier, you know, the ones that you can build those relationships with and gain that trust and go through the process together and find the ways that work and understand the things that won't work. It creates a lot more of a traditional relationship for for buying and selling these products.

J

Jay Fentress 06:55

You know, to the point where it's really good point. It reminds me of a conversation I had with a buyer recently. And he said, Yeah, we got I don't know, that's to say I think it was 1000 kilos of distillate. He says I know that's a it's a crazy one. So let's just start cutting it in half. Let's just pretend that it's a 500 kilo opportunity. And then we go and we talk through the bandwidth of it. And we were either try to pursue it or we don't in this case we did. But I think it's a good practice to keep in mind that yeah, there are a lot of folks that are looking might throw unicorn

numbers out there. It's incumbent on you, the responsible leader in the industry, or me, not necessarily you, Adam, are you corny, but it's incumbent on us as leaders to take the responsibility that those folks out, because I can promise you, the folks that I've come across as real and my two and a half years in the industry, are the ones that do take the time to talk that are the ones that take the time to be transparent about what they really need uniquely about the product. Right? What are the dialing in specs that they need for their distillate or their isolette? What are the metrics that they need for their their smokeable? Flour? If they're not willing to go and have a conversation spend the time, then you might not want to spend that time either.

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Adam Kulbach 08:24

So what are the major conflicts that arise in participating in the International Cannabis market and supply chain?

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Cory Waggoner 08:32

I think we've hit on a lot of them. Definitely the the relationships and the tire kickers are, you know, one of the big, big things that you have to overcome and just not wasting your time on those types of things. And knowing how to vet those things out and the questions asked to make sure you can get the information that you actually need and make sure that they are real. The logistics side of it, I think was mentioned earlier too. And that that in my opinion has been the biggest issue. You know, getting some some countries, it's easy to get things out of some countries, it's easy to get things into. And vice versa, some countries is very difficult to get things out of in some countries is very difficult to get things into. And with this being a new industry, you know, on the custom side of things. There's a lot of paperwork that's required and needed to kind of help educate, but also that relationship there at customs to understand what's coming. And so it doesn't seem like you're trying to sneak anything by them. But you've been very transparent. They understand what's coming, you're providing the paperwork before it actually gets there so they can kind of give you the head nod of what it's going to be and when they're going to be there to make sure that they can oversee that shipment for you. I think logistics in my opinion is the biggest the biggest conflict in in the international supply chain right now and causes the most issues for most people.

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Adam Kulbach 09:57

Okay, from a talent perspective What qualities make for a solid international supply chain practitioner?

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Anthony Adkins 10:08

Yeah, from a talent perspective, it's it's individuals who have never participated in global market, they've been isolated into their either their own country or just cross border. And when they're vetting out in working outside of that, it definitely puts a very downward pressure on skills and experience. And what I mean by that is, no one's a, you have a talent and that lack of talent in this industry, but also you have an interesting, you know, scope of talent that is

coming potentially from other industries. But they're not in global global and scale. So you don't have the negotiation element, you don't have someone paying attention to what is happening in not only their own country or their own state, is as it relates to, you know, jumping out and venturing out into, you know, a certain theater, like the European theater, or the Asia Pacific theater. And so, a lot of individuals either a think that they understand and know, the global scale, the global market, and the international supply chain from the standpoint, and they apparently don't, and so they're, they're applying it almost as a, as a base commodity. And that's all they're doing is price shopping. And thinking that, you know, from a price shopping standpoint, that that's, you know, that gives them the insight and the ability to do that. And so it causes unrealistic expectations, on the on potential partners and potential suppliers and other elements of that supply chain. So the talent, the talent piece of that is actually what I found is, is, is lacking a time from that standpoint. And it gets in so we're, we're looking for those relationships. And as opposed to leaning in and learning and understanding. Everyone seems to sort of, you know, bow out, go out and not not communicate. And that's the worst thing you can do when they're when there's Alaskan lack of talent is not communicate with your suppliers, not communicate with your potential partners not communicate and seek to understand, you know, what, what that global theater is.

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Adam Kulbach 12:24

Okay, thanks. What changes need to occur to lower the costs of cannabis internationally?

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Cory Waggoner 12:33

I would think it's, it's almost I mean, to lower the cost, it just needs to be more globally accepted. And we need to kind of get through this, this learning period to develop the standards. But I think kind of a better question is what needs to happen to maintain the quality of this product? And I think that goes back to the last question about talent and just experience and having good people in the industry who aren't just looking for the best price they're looking for, like Jay mentioned earlier, very specific specs of what what they're looking for. And I think as it becomes more globally accepted, it's going to be easier to find real people who have the exact products we're looking for. Because right now, I feel like it's very narrow on the international level of like, what people are looking for very exotic things, but it's very narrow as far as like what they can find consistently. It's smokeable flour with X percent of CBD, or it's distillate at X percent of purity. But as the industry continues to evolve, I think it's going to become just kind of like Colorado, you know, people are going to become more educated of what it is they're putting into their body, what it is they're consuming, and they're going to be looking for more specific types of products than than what they are right now.

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Anthony Adkins 14:02

Yeah, because I mean, the focus needs to be on quality of product, not necessarily downward pricing elements. And when everyone just thinks it's when they try to reduce, you know, the medicinal the recreational elements of a good product just because of a cost structure or for cost and that's misguided, as well. So you have to, you know, a lot of us have to I think, you know, continue to stay in that pocket and continue to maintain the value of the product throughout the entire supply chain.

J Jay Fentress 14:35

Another another thing to keep in mind is as you have more countries internationally going on online, you've got the old supply demand conundrum. So I at least expect over the next 12 to 24 months. Still some good opportunity internationally. When you think about it just here in the US here in North America. is what a lot of the fun focus has been on from, from a health standpoint, cannabis has been proceeding that international is almost going cannabis or medical cannabis, and then hemp if they want. So there's a lot of changes, therefore that's creating a lot of demand, especially from the hemp side. So actually demand is increasing internationally, which should only be good on upward pricing.

A Adam Kulbach 15:28

Okay, so how could the international supply chain create more value for the industry at large.

A Anthony Adkins 15:36

So, you know, this is important because the international supply chain has to be ecosystem driven, I really truly believe that, when you have an ecosystem, it has to work together. And and for those who don't want to participate in either a developing the key partnerships are going to be crucial in order to make that supply chain function and function at a very high level. But, you know, taking that, from that standpoint, the ecosystem has to be predictable, has to be sustainable, it has to be accountable, and it has to be responsible. And it's really going to rely on the players, some of the movers and shakers, some of the folks who really want to see this industry thrive, not only in their respective nation territories areas, but also on a global global scale, global level. And so I know higher yields is definitely committed to not only continuing to develop the ecosystem, but make sure that ecosystem is those four aspects of accountability, responsibility, predictability, sustainability, it's very, very important that the integrity, you know, moves through the supply chain, that people deliver what they say they're going to deliver. And those connections and solid connections are made. And just understanding and knowing that that's, it's a big world. There's a lot of a lot of space for a lot of players. And, you know, those partners, those players in the global theater, have to really make sure that the bringing, bringing forth that integrity into you know, ecosystem, solidification and development, continued development.

A Adam Kulbach 17:15

Can you guys share any firsthand experiences with the international supply chain?

C Cory Waggoner 17:22

Yeah, I would just say, you know, like firsthand experience, some of the things that we've seen, you know, a few years ago, we helped the federal government of Mexico with setting up their cannabis chins. And earlier this year, that was passed like early mid January. And we've been working to try to bring in CBD products into the country. But legally, for the longest time, you

weren't allowed to import CBD, you weren't allowed to grow CBD, but you could sell it, which, you know, we're not really sure how that's even possible. If you can't grow it, extract it or import it in. And so we thought that when the regulations passed in early January, that we would have much more success being able to move product across the border. And our concern was really more so on the US side, being able to get it out. But we're actually able to find logistics to be able to move the product out of the United States. And our big holdup was being able to import it. And it's still a big holdup five months later, being able to import it into Mexico, even though there are rules and regulations that what other would allow it.

J

Jay Fentress 18:29

Yeah, it's it goes back to the shipping. I mean, I hate to keep saying that the shipping and the the agreement. And it all goes back to can we get can we get the stuff from customs of customs takes it? I got I'll be honest, you know, we've been we've been fairly successful over the course last 12 months shipping product overseas. But it even to this point with our team and I feel our team is substantial, in terms of the number of people in the experiences that we put together. We each take a collective deep breath, when product leaves the greenhouse to go international. And it's almost yet you hold your breath until you get the word that it passed through customs. Maybe I'm just scratching the surface. But as an industry, we need to feel more comfortable with that. But that's that's not anything that's going to be solved today. So I think one of the things that we focused on is how do we how do we dumb down the shipping, if you will? How do we make it so that we work with our logistics team partner? And one of the ideas is creating wood crates? Well, that adds weight that adds time and that adds money. But these are some of the things that our partners are asking us for and any good partner would go down that path and explore it. So I guess that's the best example of working with a partner understanding some of the challenges with the logistics and how do you overcome it, knowing that we're not going to change the external, but we can take care of what we all can control in that partnership.

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Adam Kulbach 20:18

Well, thanks, guys. I think that's all the time we have for today. Like to thank you very much for being on the podcast and I hope to be speaking with you guys again very soon. Thanks. We'd like to thank everybody for tuning in today and listening to our podcast. For information on how to follow the higher enlightenment podcast. Please be sure to check out the description below. You'll receive all the latest and greatest podcasts news and announcements. Also let you know when we release new episodes. If you'd like to be a guest on the higher enlightenment podcasts, or have ideas about upcoming episodes, please be sure to check out the description below. For more information about sponsorship or advertising on the higher enlightenment podcast, please call us at 844 High yield. That's 8448 Chai why i e LD or visit our website at higher yields consulting.com. Thanks, have a great day, and we'll talk to you soon